

**CITY OF AVOCA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2013**



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## CITY OF AVOCA

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jennie Maasen	Mayor	January 2014
Jerry Espeseth	Mayor Pro-Tem	January 2014
Fred Miller III	Council Member	January 2016
John Butcher	Council Member	January 2014
Roxanne Plymale	Council Member	January 2014
David Hoffmann	Council Member	Resigned 2012
Sandy Petersen	Council Member	January 2016
Clint Fichter	City Manager	Indefinite
Teresa Hoepner	City Clerk	Indefinite
Teresa Hoepner	City Treasurer	Appointed yearly
David Larson	City Attorney	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 16, 2014

### Independent Auditor's Report

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes that determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued . . .

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters -- Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avoca's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which is not presented herein) and expressed an unqualified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Continued . . .





Other Matters (Continued)

*Supplementary and Other Information*

The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basis financial statements.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 16, 2014 on my consideration of the City of Avoca's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avoca's internal control over financial reporting and compliance.

*Murphy & Associates, CPA, P.C.*



## **BASIC FINANCIAL STATEMENTS**

**CITY OF AVOCA**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

			Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 202,158	\$ 34,273	\$ 12,543	\$ -0-
Public works	710,404	22,528	1,000	-0-
Cultures and recreation	738,872	13,020	18,168	-0-
Community and economic development	483,135	209,017	-0-	375,028
General government	277,389	113,328	163,581	-0-
Debt service	2,085,936	-0-	-0-	-0-
Capital projects	2,859,163	-0-	-0-	537,072
Total governmental activities	7,357,057	392,166	195,292	912,100
Business type activities:				
Water	193,015	366,365	-0-	-0-
Sewer	52,308	258,968	-0-	-0-
Total business type activities	245,323	625,333	-0-	-0-
Total	\$ 7,602,380	\$ 1,017,499	\$ 195,292	\$ 912,100
Property taxes levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Sale of assets				
Note proceeds				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
<b>Cash basis net assets</b>				
Expendable:				
Streets				
Urban renewal				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets					
Governmental Activities		Business Type Activities		Total	
\$	(155,342)	\$	-0-	\$	(155,342)
	(686,876)		-0-		(686,876)
	(707,684)		-0-		(707,684)
	100,910		-0-		100,910
	(480)		-0-		(480)
	(2,026,532)		(59,404)		(2,085,936)
	(920,564)		(1,401,527)		(2,322,091)
	<u>(4,396,568)</u>		<u>(1,460,931)</u>		<u>(5,857,499)</u>
	-0-		173,350		173,350
	-0-		206,660		206,660
	-0-		380,010		380,010
	<u>(4,396,568)</u>		<u>(1,080,921)</u>		<u>(5,477,489)</u>
	402,018		-0-		402,018
	71,991		-0-		71,991
	854,873		-0-		854,873
	185,473		-0-		185,473
	71,191		5,286		76,477
	331,917		-0-		331,917
	3,420		-0-		3,420
	1,500,000		1,460,932		2,960,932
	258,455		(258,455)		-0-
	<u>3,679,338</u>		<u>1,207,763</u>		<u>4,887,101</u>
	(717,230)		126,842		(590,388)
	<u>2,507,436</u>		<u>532,537</u>		<u>3,039,973</u>
\$	<u>1,790,206</u>	\$	<u>659,379</u>	\$	<u>2,449,585</u>
\$	210,888	\$	-0-	\$	210,888
	203,719		-0-		203,719
	-0-		-0-		-0-
	912,580		8,976		921,556
	463,019		650,403		1,113,422
\$	<u>1,790,206</u>	\$	<u>659,379</u>	\$	<u>2,449,585</u>

See notes to financial statements.

**CITY OF AVOCA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue			
	General	Urban Renewal Tax Increment	Debt Service	Housing Revolving Fund
Receipts:				
Property tax	\$ 214,260	\$ -0-	\$ 71,991	\$ -0-
Tax increment financing	-0-	877,401	-0-	-0-
Other city tax	-0-	-0-	-0-	-0-
Licenses and permits	14,557	-0-	-0-	-0-
Use of money and property	14,316	-0-	-0-	-0-
Intergovernmental	85,698	300,028	-0-	75,000
Charges for services	378,513	-0-	-0-	-0-
Special assessments	1,881	-0-	-0-	-0-
Miscellaneous	246,721	-0-	-0-	-0-
Total receipts	955,946	1,177,429	71,991	75,000
Disbursements:				
Operating:				
Public safety	178,701	-0-	-0-	-0-
Public works	404,418	262,181	-0-	-0-
Culture and recreation	635,013	32,112	-0-	-0-
Community and economic development	12,713	470,422	-0-	-0-
General government	232,537	-0-	-0-	-0-
Debt service	-0-	-0-	2,085,936	-0-
Capital projects	-0-	-0-	-0-	305,184
Total disbursements	1,463,382	764,715	2,085,936	305,184
Excess (deficiency) of receipts over (under) disbursements	(507,436)	412,714	(2,013,945)	(230,184)
Other financing sources (uses):				
Sale of assets	3,420	-0-	-0-	-0-
Note proceeds	-0-	-0-	-0-	-0-
Operating transfers in	276,020	120,888	2,014,577	-0-
Operating transfers out	(79,255)	(470,704)	-0-	-0-
Total other financing sources (uses)	200,185	(349,816)	2,014,577	-0-
Net change in cash balances	(307,251)	62,898	632	(230,184)
Cash balances, beginning of year	775,203	140,821	(632)	516,166
Cash balances, end of year	\$ 467,952	\$ 203,719	\$ -0-	\$ 285,982
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal purposes	\$ -0-	\$ 203,719	\$ -0-	\$ -0-
Debt service	-0-	-0-	-0-	-0-
Streets	-0-	-0-	-0-	-0-
Other purposes	-0-	-0-	-0-	285,982
Unassigned	467,952	-0-	-0-	-0-
Total cash basis fund balances	\$ 467,952	\$ 203,719	\$ -0-	\$ 285,982

See notes to financial statements.

EXHIBIT B

	South School Improvement Capital Project		Sewer Improvement Capital Project		Other Non-major Governmental Funds		Total
\$	-0-	\$	-0-	\$	122,554	\$	408,805
	-0-		-0-		-0-		877,401
	-0-		-0-		-0-		-0-
	-0-		-0-		-0-		14,557
	-0-		-0-		56,875		71,191
	500,000		-0-		420,055		1,380,781
	-0-		-0-		-0-		378,513
	-0-		-0-		-0-		1,881
	-0-		-0-		37,170		283,891
	<u>500,000</u>		<u>-0-</u>		<u>636,654</u>		<u>3,417,020</u>
	-0-		-0-		23,457		202,158
	-0-		-0-		43,805		710,404
	-0-		-0-		71,747		738,872
	-0-		-0-		-0-		483,135
	-0-		-0-		44,852		277,389
	-0-		-0-		-0-		2,085,936
	910,910		1,401,527		241,542		2,859,163
	<u>910,910</u>		<u>1,401,527</u>		<u>425,403</u>		<u>7,357,057</u>
	(410,910)		(1,401,527)		211,251		(3,940,037)
	-0-		-0-		-0-		3,420
	432,819		2,528,113		-0-		2,960,932
	-0-		-0-		405,908		2,817,393
	-0-		(1,403,029)		(605,950)		(2,558,938)
	<u>432,819</u>		<u>1,125,084</u>		<u>(200,042)</u>		<u>3,222,807</u>
	21,909		(276,443)		11,209		(717,230)
	<u>(11,272)</u>		<u>32,011</u>		<u>1,055,139</u>		<u>2,507,436</u>
\$	<u>10,637</u>	\$	<u>(244,432)</u>	\$	<u>1,066,348</u>	\$	<u>1,790,206</u>
\$	-0-	\$	-0-	\$	-0-	\$	203,719
	-0-		-0-		-0-		-0-
	-0-		-0-		210,888		210,888
	10,637		(244,432)		855,460		907,647
	-0-		-0-		-0-		467,952
\$	<u>10,637</u>	\$	<u>(244,432)</u>	\$	<u>1,066,348</u>	\$	<u>1,790,206</u>





## CITY OF AVOCA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for services	\$ 366,365	\$ 258,968	\$ 625,333
Special assessment	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-
Total receipts	366,365	258,968	625,333
Operating disbursements:			
Business type activities	193,015	52,307	245,322
Total disbursements	193,015	52,307	245,322
Operating income	173,350	208,661	380,011
Non-operating receipts:			
Interest	1,500	3,786	5,286
Miscellaneous	-0-	-0-	-0-
Total non-operating receipts	1,500	3,786	5,286
Excess of receipts over disbursements	174,850	210,447	385,297
Other financing sources (uses):			
Operating transfer in	-0-	-0-	-0-
Operating transfer out	(145,948)	(112,507)	(258,455)
Other financing sources (uses)	(145,948)	(112,507)	(258,455)
Net change in cash balance	28,902	97,940	126,842
Cash balances, beginning of year	121,053	411,484	532,537
Cash balances, end of year	\$ 149,955	\$ 509,424	\$ 659,379
<b>Cash Basis Fund Balances</b>			
Reserve for utility deposits	\$ 8,976	\$ -0-	\$ 8,976
Unrestricted	140,979	509,424	650,403
Total cash basis fund balances	\$ 149,955	\$ 509,424	\$ 659,379

See notes to financial statements.



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(1) Summary of Significant Accounting Policies**

The City of Avoca is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Avoca has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board and commissions: Pottawattamie County Assessor's Conference Board, City Assessor's Conference Board and Pottawattamie County Emergency Management Commission.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(1) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation - Continued**

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(11) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation - Continued**

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the city's general long-term debt.

The City reports the following major proprietary fund:

The Water and Sewer Funds accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Avoca maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2013, disbursements exceed amounts budgeted in the public works function, general fund, debt service and capital projects function

**CITY OF AVOCA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Property Tax Calendar**

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected on a monthly basis.

**(2) Cash and Pooled Investments**

The City's deposits in bank at June 30, 2013, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions and two managed accounts in the City's name totaled \$2,449,585 as of June 30, 2013.

**Interest Rate Risk**

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2014	\$ 402,252	\$ 69,537
2015	199,941	55,215
2016	201,679	47,889
2017	200,973	40,424
2018	170,178	32,694
2019	175,178	26,503
2020	103,754	21,196
2021 & after	390,000	45,160
Total	\$ 1,843,955	\$ 338,618

The Code of Iowa requires that principal and interest on general obligation bonds and notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$4.3 million which was not exceeded during the year ended June 30, 2013.

General Obligation Corporate Purpose and Refunding Bond, May, 2009

On May 1, 2009, the City issued bonds to finance water projects and to refund a prior bond issue. The \$1,450,000 bonds bear interest ranging from 1.75% to 4.60%, requires semiannual installments of interest and annual retirement of bonds (ranging from \$75,000 to \$110,000 annually), and matures June 1, 2024.

General Obligation Fire Equipment Note, 2009

On January 15, 2009, the City financed the purchase of fire equipment with a local bank. The \$160,000 note bears interest at 5.00%, requires annual installments of \$36,959 and matures June 1, 2014.



**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(3) Bonds and Notes Payable (Continued)**

General Obligation Ambulance Vehicle Note, 2012

On April 23, 2012, the City financed the purchase of an ambulance vehicle with a local bank. The \$175,000 note bears interest at 5.00%, requires semiannual installments of \$39,866, and matures July 1, 2017.

General Obligation School Area Street and Storm Sewer Project Note, 2012

On January 20, 2012, the City entered into two loan agreements with a local bank for the School Area Street and Storm Sewer Project. The two notes of \$250,000 each bears interest of 3.20 % and 3.26% and each loan requires annual principal payments of \$35,714, plus applicable interest semiannually and both loans mature December 1, 2018.

General Obligation Side Walk Repair Fund Project Note, 2012

On February 23, 2012, the City entered into a loan agreement with a local bank for the Side Walk Repair Project. The \$150,000 note bears interest of 3.42 % and requires annual principal payments of \$18,750, plus applicable interest semiannually and matures December 1, 2019

General Obligation Corporate Purpose Revolving Note, 2012

On August 27, 2012, the City entered into a revolving loan agreement with a local bank for use in short-term funding of City projects awaiting permanent financing. The note is for \$1,500,000 and bears interest of 3.25% on the amount borrowed. The payments of principal and interest are periodic with the unpaid balance due August 27, 2017.

Water Revenue Bond, 2010

On June 1, 2010, the City financed the water improvement capital project. The \$600,000 note bears interest ranging from 2.00% to 3.8% and matures June 1, 2019.

Storm Water Revenue USDA Rural Development Note, Series 2010

On December 30, 2010, the City financed the storm water improvement capital project. The \$412,000 note bears interest of 3.00% and requires annual payments of principal and interest of \$27,695 and matures December 1, 2030.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(3) Bonds and Notes Payable (Continued)**

Sanitary Sewer Revenue USDA Rural Development Note, Series 2011

On August 2, 2011, the City entered into an agreement with USDA for the Sanitary Sewer System improvement capital project. The total note is for \$1,767,000 and bears interest of 2.50%. The amount drawn on this note for 2013 was \$1,460,932. Annual payment of interest only for 2014 is \$37,142.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2013 was \$28,921, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick time termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2013</u>
Vacation	\$ 10,579
Sick time	30,132
	<u>\$ 40,711</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$-0- during the year ended June 30, 2013. The City had transactions between the City and relatives of appointed City board members totaling \$609,355. Of this total, \$562,629 was from awarded contracts through competitive bidding.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue-Road Use	\$ 144,421
General Fund	Water Enterprise	46,920
General Fund	Sewer Enterprise	61,013
General Fund	Special Revenue-Local Option	23,666
General Fund	Special Revenue-Hotel/Motel	65,203
Capital Projects	Special Revenue-Road Use	1,660
Capital Projects	Special Revenue-Local Option	251,666
Capital Projects	Sewer Enterprise	4,098
Capital Projects	General Fund	60,078
Debt Service	Sewer Enterprise	19,700
Debt Service	Water Enterprise	99,028
Debt Service	General Fund	19,177
Debt Service	Urban Renewal	445,947
Debt Service	Capital Projects	1,403,029
Debt Service	Sewer Enterprise	27,695
Urban Renewal #1	Urban Renewal #3	96,132
Urban Renewal #1	Urban Renewal #2	24,757
Special Revenue-Employee Benefit	Special Revenue-Local Option	23,203
Total		\$ <u>2,817,393</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for 2013.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF AVOCA

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 408,805	\$ -0-
Tax increment financing	877,401	-0-
Other city tax	-0-	-0-
Licenses and permits	14,557	-0-
Use of money and permits	71,191	5,286
Intergovernmental	1,380,781	-0-
Charges for services	378,513	625,333
Special assessments	1,881	-0-
Miscellaneous	283,891	-0-
Total receipts	<u>3,417,020</u>	<u>630,619</u>
Disbursements:		
Public safety	202,158	-0-
Public works	710,404	-0-
Health and social services	-0-	-0-
Culture and recreation	738,872	-0-
Community and economic development	483,135	-0-
General government	277,389	-0-
Debt service	2,085,936	-0-
Capital projects	2,859,163	-0-
Business type	-0-	245,322
Total disbursements	<u>7,357,057</u>	<u>245,322</u>
Excess (deficiency) of receipts over (under) disbursements	(3,940,037)	385,297
Other financing sources, net	<u>3,222,807</u>	<u>(258,455)</u>
Excess (deficiency) of receipts and other financing sources	(717,230)	126,842
Balance beginning of year	<u>2,507,436</u>	<u>532,537</u>
Balance end of year	<u>\$ 1,790,206</u>	<u>\$ 659,379</u>

See Accompanying Independent Auditor's Report.

Total		Budgeted Amounts		Final to Total Variance
		Original	Final	
\$	408,805	\$ 395,452	\$ 426,579	\$ (17,774)
	877,401	905,000	1,218,500	(341,099)
	-0-	283,481	252,354	(252,354)
	14,557	21,300	12,000	2,557
	76,477	33,500	50,500	25,977
	1,380,781	843,086	226,652	1,154,129
	1,003,846	1,168,505	1,237,499	(233,653)
	1,881	25,000	24,500	(22,619)
	283,891	466,000	547,500	(263,609)
	<u>4,047,639</u>	<u>4,141,324</u>	<u>3,996,084</u>	<u>51,555</u>
	202,158	269,768	261,525	59,367
	710,404	443,294	643,896	(66,508)
	-0-	3,200	6,250	6,250
	738,872	611,953	832,976	94,104
	483,135	214,000	651,150	168,015
	277,389	272,310	277,355	(34)
	2,085,936	680,176	570,156	(1,515,780)
	2,859,163	1,855,184	2,617,200	(241,963)
	245,322	2,015,393	265,828	20,506
	<u>7,602,379</u>	<u>6,365,278</u>	<u>6,126,336</u>	<u>(1,476,043)</u>
	(3,554,740)	(2,223,954)	(2,130,252)	(1,424,488)
	<u>2,964,352</u>	<u>2,308,692</u>	<u>2,267,200</u>	<u>(697,152)</u>
	(590,388)	84,738	136,948	(727,336)
	<u>3,039,973</u>	<u>3,039,973</u>	<u>3,039,973</u>	<u>-0-</u>
\$	<u>2,449,585</u>	\$ <u>3,124,711</u>	\$ <u>3,176,921</u>	\$ <u>(727,336)</u>





## **CITY OF AVOCA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**

**JUNE 30, 2013**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$436,732 and disbursements by \$488,942. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public works function, debt service function general fund and capital projects function.



## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF AVOCA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Rural Development Loan	10.770	NA	\$ <u>1,385,758</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Avoca and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF AVOCA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue</u>			
	<u>Hotel Motel</u>	<u>Employee Benefits</u>	<u>Road Use</u>	<u>Local Option</u>
Receipts:				
Property tax	\$ -0-	\$ 122,554	\$ -0-	\$ -0-
Use of money	-0-	-0-	-0-	6,788
Intergovernmental	65,203	-0-	146,081	185,473
Miscellaneous	-0-	-0-	-0-	-0-
Total receipts	<u>65,203</u>	<u>122,554</u>	<u>146,081</u>	<u>192,261</u>
Disbursements:				
Operating:				
Public safety	-0-	23,457	-0-	-0-
Public works	-0-	43,020	-0-	-0-
Culture and recreation	-0-	52,518	-0-	-0-
General government	-0-	44,852	-0-	-0-
Capital projects	-0-	-0-	-0-	-0-
Total disbursements	<u>-0-</u>	<u>163,847</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	65,203	(41,293)	146,081	192,261
Other financing sources (uses):				
Operating transfers in	-0-	23,202	-0-	-0-
Operating transfers out	(65,203)	-0-	(146,081)	(394,666)
Net financing sources (uses)	<u>(65,203)</u>	<u>23,202</u>	<u>(146,081)</u>	<u>(394,666)</u>
Net change in cash balances	-0-	(18,091)	-0-	(202,405)
Cash balances beginning of year	<u>-0-</u>	<u>18,091</u>	<u>210,888</u>	<u>404,809</u>
Cash balances end year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>210,888</u>	\$ <u>202,404</u>
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ -0-	\$ -0-	\$ 210,888	\$ 202,404
Total cash basis fund balances	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>210,888</u>	\$ <u>202,404</u>

See Accompanying Independent Auditor's Report.



SCHEDULE 1

Special Revenue			Permanent			Total
Library Trust	Veterans Memorial	Capital Projects	Perpetual Care	Cemetery Trust		
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 122,554	
35,685	-0-	-0-	5,155	9,247	56,875	
-0-	-0-	23,298	-0-	-0-	420,055	
745	1,120	33,173	2,132	-0-	37,170	
36,430	1,120	56,471	7,287	9,247	636,654	
-0-	-0-	-0-	-0-	-0-	23,457	
-0-	785	-0-	-0-	-0-	43,805	
14,957	-0-	-0-	1,529	2,743	71,747	
-0-	-0-	-0-	-0-	-0-	44,852	
-0-	-0-	241,542	-0-	-0-	241,542	
14,957	785	241,542	1,529	2,743	425,403	
21,473	335	(185,071)	5,758	6,504	211,251	
-0-	-0-	382,706	-0-	-0-	405,908	
-0-	-0-	-0-	-0-	-0-	(605,950)	
-0-	-0-	382,706	-0-	-0-	(200,042)	
21,473	335	197,635	5,758	6,504	11,209	
541,228	1,600	(227,473)	37,991	68,005	1,055,139	
\$ 562,701	\$ 1,935	\$ (29,838)	\$ 43,749	\$ 74,509	\$ 1,066,348	
\$ 562,701	\$ 1,935	\$ (29,838)	\$ 43,749	\$ 74,509	\$ 1,066,348	
\$ 562,701	\$ 1,935	\$ (29,838)	\$ 43,749	\$ 74,509	\$ 1,066,348	

**CITY OF AVOCA**  
**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2013**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Refunding Bonds	December 1, 2009	1.75% to 4.6%	\$ 1,450,000
Fire Equipment Note	January 15, 2009	5.00%	\$ 160,000
Ambulance Note	April 23, 2012	4.50%	\$ 175,000
Revolving Note-Urban Renewal	June 3, 2012	4.50%	\$ 300,000
Revolving Note-Capital Projects	August 27, 2012	3.25%	\$ 1,500,000
School Area Streets & Storm Sewer	January 20, 2012	3.2% & 3.26%	\$ 500,000
Sidewalk Improvement	January 20, 2012	3.42%	\$ 150,000
Revenue Bonds and Notes:			
Water Bond	June 1, 2010	2.00% to 3.8%	\$ 600,000
Water Note	December 30, 2010	3.00%	\$ 412,000
Storm Sewer Note	August 2, 2011	2.50%	\$ 1,767,000

See Accompanying Independent Auditor's Report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,115,000	\$ -0-	\$ 120,000	\$ 995,000	\$ 43,668	\$ 3,339
68,806	-0-	33,500	35,306	3,440	147
175,000	-0-	39,833	135,167	13,711	416
200,000	-0-	200,000	-0-	263	-0-
-0-	1,500,000	1,381,340	118,660	21,689	380
500,000	-0-	71,428	428,572	15,208	1,138
150,000	-0-	18,750	131,250	4,877	369
480,000	-0-	65,000	415,000	15,470	1,181
396,665	-0-	16,807	379,858	10,888	6,335
-0-	1,460,932	-0-	1,460,932	-0-	10,990
<u>\$ 3,085,471</u>	<u>\$ 2,960,932</u>	<u>\$ 1,946,658</u>	<u>\$ 4,099,745</u>	<u>\$ 129,214</u>	<u>\$ 24,295</u>

# CITY OF AVOCA

## DEBT MATURITIES

JUNE 30, 2013

Year Ending June 30,	General Obligation Issued December 1, 2009		Fire Equipment Note Issued January 15, 2009		Ambulance Note Issued April 23, 2012	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2014	3.25%	\$ 125,000	5.00%	\$ 35,306	4.5%	\$ 33,108
2015	3.50%	75,000	--	-0-	4.5%	34,763
2016	3.50%	75,000	--	-0-	4.5%	36,501
2017	4.00%	80,000	--	-0-	4.5%	30,795
2018	4.00%	80,000	--	-0-	--	-0-
2019	4.10%	85,000	--	-0-	--	-0-
2020	4.10%	85,000	--	-0-	--	-0-
2021 & After	4.30 - 4.60%	390,000	--	-0-	--	-0-
Total		\$ <u>995,000</u>		\$ <u>35,306</u>		\$ <u>135,167</u>

Year Ending June 30,	General Obligation- Revolving Issued August 27, 2012		General Obligation- School Area Issued January 20, 2012		General Obligation- Sidewalk Improvement Issued January 20, 2012	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2014	3.25%	\$ 118,660	3.20-3.26%	\$ 71,429	3.42%	18,750
2015	--	-0-	3.20-3.26%	71,429	3.42%	18,750
2016	--	-0-	3.20-3.26%	71,429	3.42%	18,750
2017	--	-0-	3.20-3.26%	71,429	3.42%	18,750
2018	--	-0-	3.20-3.26%	71,428	3.42%	18,750
2019	--	-0-	3.20-3.26%	71,428	3.42%	18,750
2020	--	-0-		-0-	3.42%	18,750
2021	--	-0-		-0-	--	-0-
Total		\$ <u>118,660</u>		\$ <u>428,572</u>		<u>131,250</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 3

Year Ending June 30,	Water Revenue Bond Issued June 1, 2010		Water Revenue Note Issued December 30, 2012		Storm Sewer Note Issued August 2, 2011		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2014	3.00%	\$ 65,000	3.00%	\$ 16,269	2.5%	\$ -0-	\$ 483,522
2015	3.00%	65,000	3.00%	16,757	2.5%	9,977	291,676
2016	3.00%	70,000	3.00%	17,260	2.5%	54,281	343,221
2017	3.80%	70,000	3.00%	17,777	2.5%	55,758	344,509
2018	3.80%	70,000	3.00%	18,310	2.5%	57,153	315,641
2019	3.80%	75,000	3.00%	18,860	2.5%	58,582	327,620
2020	--	-0-	3.00%	19,426	2.5%	59,941	183,117
2021 & After	--	-0-	3.00%	255,199	2.5%	1,165,240	1,810,439
Total		\$ <u>415,000</u>		\$ <u>379,858</u>		\$ <u>1,460,932</u>	\$ <u>4,099,745</u>



## CITY OF AVOCA

SCHEDULE 4

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS**

**FOR THE LAST FOUR YEARS**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property taxes	\$ 408,805	\$ 1,135,917	\$ 720,334	\$ 515,901
Tax increment financing	877,401	-0-	418,980	356,038
Other city taxes	-0-	248,030	271,985	229,927
License and permits	14,557	10,593	13,632	10,262
Use of money and property	71,191	32,936	26,425	53,673
Intergovernmental	1,380,781	432,304	1,040,750	877,836
Charges for service	378,513	1,147,298	937,025	695,086
Special assessments	1,881	9,315	910	280
Miscellaneous	<u>283,891</u>	<u>180,868</u>	<u>94,946</u>	<u>174,467</u>
Total	\$ <u>3,417,020</u>	\$ <u>3,197,261</u>	\$ <u>3,524,987</u>	\$ <u>2,913,470</u>
Disbursements:				
Operating:				
Public safety	\$ 202,158	\$ 393,099	\$ 187,990	\$ 282,802
Public works	710,404	594,519	300,591	382,256
Health and social services	-0-	6,071	-0-	850
Culture and recreation	738,872	670,305	619,520	512,666
Comm and economic dev	483,135	407,012	676,364	269,654
General government	277,389	247,629	235,642	227,355
Debt service	2,085,936	420,416	274,630	217,022
Capital projects	2,859,163	1,644,889	1,046,835	1,181,476
Business type	<u>245,322</u>	<u>459,128</u>	<u>1,277,359</u>	<u>649,785</u>
Total	\$ <u>7,602,379</u>	\$ <u>4,843,068</u>	\$ <u>4,618,931</u>	\$ <u>3,723,866</u>

See accompanying independent auditor's report.





**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 16, 2014

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARD

**Lonnie G. Muxfeldt**

Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca, Iowa as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated January 16, 2014. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Avoca's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Avoca's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness.

Continued . . .

January 16, 2014  
Page Two

To the Honorable Mayor and  
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Avoca's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Avoca's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .



Janaury 16, 2014  
Page Three

To the Honorable Mayor and  
Members of the City Council

The City of Avoca's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City of Avoca's responses, I did not audit the City of Avoca's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Avoca and other parties to whom the City of Avoca may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Avoca during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Murphy Associates, CPA, P.C.*



**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES**

**I-A-13 Segregation of Duties**

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city administrator, full time city clerk, and a part time office clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

**II-A-13 Certified Budget** - Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the capital projects function, public works function, general fund and debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part II: Other Findings Related to Required Statutory Reporting (Continued):**

II-B-13 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the City and City officials or employees for the year ended June 30, 2013 are as follows:

Name, Title, and Business Connection	Transaction Description	Amount
J. Olesen, Park Board Owner of Olesen Chevy-Olds, Inc.	Oil Change	\$ 74
Rodney Osbahr, Park Board, Owner of Rod Osbahr Escavation, LLC.	Lot grading	450
James Johnson, Planning & Zoning Owner of What's Your Signs Graphics	Signage	1,410
Monte Riesgaars, Planning & Zoning Employee of Echo Group, Inc.	Supplies	384
McCarthy Trenching, relative of Library Board member Kris McCarthy and Urban renewal board member, Robert McCarthy	Water & sewer repairs	44,407
McCarthy Trenching, relative of Library Board member Kris McCarthy and Urban renewal board member, Robert McCarthy	Competitive bidding Construction Contracts	507,915
McCarthy Landscape, relative of Library Board member Kris McCarthy and Urban renewal board member, Robert McCarthy	Competative bidding Construction Contracts	54,715
		<u>\$ 609,355</u>



**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Urban renewal and Library board members may represent a conflict of interest since total transactions with the individual were greater than \$2,500 during the fiscal year.

The transactions involving construction contracts do not appear to represent a conflict of interest since they were entered into through competitive bidding.

Recommendation - The city should consult legal council to determine a course of action to resolve the issue.

Response - We will do this.

Conclusion - Response accepted.

II-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

There was one instance where the minutes were not published within the fifteen days after the meeting as per Chapter 372.13 (6) of the Code of Iowa.

Recommendation - The clerk should make sure that the minutes are published within the fifteen days as required by Chapter 372.13 (6) of the Code of Iowa.

Response- We will adhere to the reporting requirements as required the Code of Iowa in the future.

Conclusion - Response accepted.

II-G-13 Deposits and Investments - I noted no instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.



**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part II: Other Findings Related to Required Statutory Reporting (Continued):**

II-H-13    Unsubstantiated Disbursements - It was noted that not all debit/credit card charges were substantiated.

Recommendation - Disbursements should be substantiated with appropriate documentation.

Response - Debit/credit card charges will be appropriately substantiated in the future.

Conclusion - Response accepted.



CITY OF AVOCA  
AVOCA, IOWA 51521  
**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Avoca, Iowa.

The City's receipts totaled \$6,381,372 for the year ended June 30, 2013, a thirty-three percent increase from the prior year. The receipts included \$408,805 from property tax, \$877,401 from tax incremental financing, \$1,003,846 from charges for services, \$1,130,388 from other sources, and \$2,960,932 from note proceeds.

Disbursements for the year totaled \$7,602,379, a fifty-seven percent increase from the prior year, and included \$2,859,163 for capital projects, \$2,085,936 for debt service, and \$2,411,958 for general government. Also, disbursements for business-type activities totaled \$245,322.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site <http://auditor.iowa.gov/reports/reports.htm>.

